

# NEW JERSEY OFFICE OF THE INSPECTOR GENERAL

Mary Jane Cooper, Inspector General

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*For Further Information:*  
Vinnie Funelas (609) 292-8183

## Inspector General Issues Report on ATP/ATP-MSN Misuse of State Grant Funds

TRENTON – Inspector General Mary Jane Cooper today released a report detailing the misuse of grant funds awarded by the Division of Addiction Services (DAS) between 2001 and 2006 to Associated Treatment Providers Management Services Network, Inc. (ATP-MSN) -- an alter ego of Addiction Treatment Providers of New Jersey, Inc. (ATP) -- during the tenure of former DAS Assistant Commissioner Carolann Kane-Cavaiola. The report supplements the Office of the Inspector General's (OIG) November 20, 2006 report that addressed the conflict of interest between Kane-Cavaiola and ATP and ATP-MSN and the conclusion that Kane-Cavaiola provided these organizations with unwarranted benefits.

Under the direction of OIG, auditors from both OIG and the Department of Human Services (DHS) recreated ATP/ATP-MSN financial records since many were unavailable. They conducted an unprecedented line item review to determine almost to the penny how ATP and ATP-MSN spent the grant funds provided to ATP-MSN. The object of the review was to determine whether the grant expenditures claimed were in accord with State and Federal grant requirements. OIG/DHS's analysis also examined whether grant performance was accurately and properly reported and found that many of the documents submitted to DAS by ATP-MSN were false or misleading.

The financial review resulted in a recommendation to the DHS to immediately recoup a minimum of \$1,766,115 of misused or unspent grant funds provided to ATP-MSN. Inspector General Cooper also recommended that DHS evaluate the use of an additional \$4.4 million of DAS grant funds provided to ATP-MSN to determine whether the funds were used for a legitimate grant purpose or should be returned. In addition, as a result of OIG's investigation, the ATP-MSN 2006 grant was terminated early, resulting in the rescue of \$2,380,980 in grant funds from a well-established pattern of misuse by ATP-MSN.

ATP and ATP-MSN Boards of Directors were entrusted with grant funds and in accepting the funds, committed to use them as required. However, the Directors and other ATP/ATP-MSN leaders did little to assure that DAS funds were used as required by the grants. They allowed grant funds to be used for non-grant purposes including payment of the operating and other costs of ATP, a trade/lobbying group ineligible to receive grant funds; obtaining lobbying services for ATP -- a practice that is strictly prohibited by the grant regulations and cost principles -- the personal use of leased cars; and payment for meals and entertainment unrelated to grant activities.

“ATP and ATP-MSN should be held accountable for this gross waste and abuse of State funds,” Inspector General Cooper said. “Based on their conduct, it is reasonable to conclude that ATP and ATP-MSN Boards of Directors’ only interest in ATP-MSN was to use it as a means to acquire DAS funds to pay for ATP operating and other costs. Our investigation revealed that ATP and ATP-MSN Boards of Directors had a significant role in the misuse of grant funds because they condoned, sanctioned, or deliberately turned a blind eye towards it. They disregarded and failed to adhere to State and Federal grant rules and regulations and repeatedly failed to prevent misrepresentations made to DAS regarding the grant’s performance.”

In order to accomplish the award of undue benefits to ATP and ATP-MSN, Kane-Cavaiola overrode and circumvented and dismantled the internal controls in place intended to protect DAS funds. While under Kane-Cavaiola’s management, DAS ignored its responsibility to provide adequate monitoring and oversight of the funds it had dispersed. This resulted in years of abuse that might have been avoided if the internal controls in place for these grants were followed. Inspector General Cooper has also recommended that DAS internal controls be revitalized, that staff and leadership of agencies receiving grants receive training and that a DAS compliance monitoring group be established to provide independent monitoring of grants. Inspector General Cooper has discussed the findings and recommendations with new DHS and DAS administrators. They have committed to and are already aggressively pursuing corrective actions.

The Inspector General has referred this matter to the Division of Criminal Justice for its review and determination of whether any of the conduct revealed in either its November 20, 2006 report or this report warrants a criminal investigation. OIG will also refer these findings to the Department of Labor and Workforce Development and the Department of the Treasury, Division of Taxation, to determine whether there have been violations of wage and hour or tax reporting regulations, respectively.

This report is available online on OIG’s web site, [www.state.nj.us/oig](http://www.state.nj.us/oig).

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